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NSC FOR JOSE CARDENAS; SOUTHCOM FOR POLAD

E.O. 12958: DECL: 04/26/2027
TAGS: [PREL](#) [PGOV](#) [KDEM](#) [ECON](#) [PA](#)
SUBJECT: PRESIDENT DUARTE WELCOMES GREATER U.S. LEADERSHIP,
ECONOMIC ENGAGEMENT

Classified By: PolCouns James P. Merz; Reasons 1.4(b),(d)

¶1. (C) SUMMARY. President Duarte warmly welcomed A/S Shannon's visit to Paraguay and applauded U.S. efforts to reassert its leadership in Latin America, including by responding more profoundly to the social challenges that face the region. Democracy is still fragile in the region for its failure to meet these challenges creating an opportunity for the emergence of new ideologies. Duarte conceded he is occasionally critical of the U.S. but explained it was only because he hoped for more from our relationship, particularly in the way of trade. The U.S. embrace of biofuels held out opportunities for Paraguay's agricultural economy that he hoped his country could exploit. Duarte recognized his reelection prospects had expired and asserted he had every intention of respecting the democratic process and turning over reins of government next year. END SUMMARY.

¶2. (U) A/S Shannon called on Paraguayan President Nicanor Duarte Frutos at his Presidential Residence the evening of April 27. President Duarte was accompanied by Foreign Minister Ruben Ramirez Lezcano, Finance Minister Ernst Bergen, Presidential Economic Advisor Carlos Walde, and Paraguay's Ambassador to the U.S. James Spalding. A/S Shannon was accompanied by the Ambassador and PolCouns as notetaker.

Duarte Bullish on U.S. Engagement

¶3. (U) A/S Shannon briefed Duarte on President Bush's recent trip to South America and described more broadly U.S. efforts to be more responsive to the social and economic problems of the region, including poverty, inequality, and social exclusion. The U.S. has followed the elections that took place in the course of 2006 and recognizes that the victors were those leaders who made it their priority to focus on their country's social agenda. We seek to be similarly responsive to social issues in the development of our policies.

¶4. (C) Duarte welcomed greater U.S. leadership in the region particularly in terms of responding better to social challenges. He also thought we were wise to develop stronger ties to Brazil's Lula. He holds Lula in high esteem and thought Lula had the potential to assume a greater leadership role in the region as well. Duarte maintained there was plenty of blame to go around for the region's social

problems: irresponsible leaders, the global order, selfish businessmen. It is important that the region's populations start to enjoy more widely the benefits of increased globalization or we could expect greater social upheaval and conflict in the future.

¶5. (C) Duarte insisted he shared our commitment to developing stronger institutions, including through the MCA threshold program. He allowed for how he personally criticizes the U.S. but insisted it was only because he knew we "could take it" and because he hoped it would compel the U.S. to treat Paraguay better. He considered Paraguay and the U.S. friends and maintained he was not bent on an "exclusive" approach to foreign relations nor subscribed to "dogmatic confrontation." He urged the U.S. to take on the role of the "modern emperor" who is more responsive to the needs of countries in his neighborhood.
Urges U.S. Leadership on Lowering Trade Barriers

¶6. (C) Duarte urged the U.S. to lead Europe by example by lowering tariffs on agricultural goods unilaterally. He expressed confidence Europe would be left no choice but to follow the U.S. lead. Lower tariffs on goods would facilitate the expansion of trade contributing to greater prosperity and social stability. A/S Shannon explained that the U.S. is committed to successful conclusion of the Doha Round, which would address the issues of agricultural subsidies and market access. A/S Shannon noted that our ability to act unilaterally is constrained by our own domestic political realities. The U.S. ability to open our markets required a similar willingness to open on the part of the European Union, India, and Japan.

Paraguay Ready to Jump on Biofuel Bandwagon

¶7. (C) Duarte embraced the promise offered by the U.S. commitment to greater reliance on biofuels to meet its energy needs. Paraguay produces sugar cane which requires significant manpower. Paraguay plans to step up its investment in the sugar cane industry in hopes of expanding productivity. He expected to take up discussions of biofuels with Brazil's Lula when he next visits Paraguay, presently scheduled for May 21. Meanwhile, he said Brazilian businessmen are looking at opening 17 factories in the departments of Caaguazu and Alto Parana with a focus on developing biofuels.

Commitment to Democracy Beyond Question

¶8. (C) Duarte sought to squelch any suggestion his commitment to democracy was in question. He would have liked to have had the opportunity to run for another term but it has become apparent to him that will not be possible. He expects to announce very shortly his decision to give up his reelection efforts. He assured us he has no intention of interrupting the democratic order as he appreciates the polarizing, damaging effect it would have on the country.

Proud of His Legacy, Optimistic About the Future

¶9. (U) All things considered, Duarte said he was optimistic about Paraguay's future. He was proud of his government's success in dramatically reducing its debt and producing strong macroeconomic numbers. He hoped Paraguay could benefit from its participation in the MCA program even if his government would not be able to administer the funds. A/S Shannon applauded Duarte's team for its work on the program and urged the President to send his team to Washington make its case for consideration for an MCA compact.

¶10. (C) COMMENT. Notwithstanding the fact that Duarte was emerging from a full day of meetings with Colorado leaders in preparation for the next day's Colorado Party Convention, he was relaxed and good-natured in his hour long meeting with A/S Shannon. He sought to play down his recent attacks on the U.S. and his rhetorical shift to the left, assuring us he wanted to maintain good relations with the U.S. and even welcomed greater U.S. leadership in the region. Duarte

sounded as if he were reconciled to giving up his reelection bid though he signaled clearly his desire to return to power one day in the future. END COMMENT.

11. (U) This message was cleared by A/S Shannon before he departed post.
CASON